

Message Text

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PAGE 01 CONAKR 00549 221427Z

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ACTION OPIC-06

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FM AMEMBASSY CONAKRY

TO SECSTATE WASHDC PRIORITY 0644

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DEPT PASS OPIC

E.O. 11652: N/A

TAGS: EFIN, EMIN, GV

SUBJECT: HALCO/GOG AGREEMENT RE BAUXITE TAX

REF: CONAKRY 0539

1. FOLLOWING FULL TEXT OF AGREEMENT SIGNED APRIL 21 BETWEEN HALCO, CBG, AND GOG. THIS IS EMBASSY TRANSLATION OF FRENCH VERSION OF AGREEMENT, PASSED TO US BY HALCO DELEGATION. UPON THEIR RETURN USG, HALCO WILL PASS OFFICIAL COPIES TO OPIC AND EXIMBANK.

2. QUOTE: AGREEMENT ON THE LIQUIDATION OF SPECIAL TAX ON MINING PRODUCTS AND DERIVATIVES SET FORTH IN LAW NO. 010/AL/75 OF 13 JANUARY 1975 BETWEEN THE REPUBLIC OF GUINEA, HALCO, AND CBG.

FROM 19 TO 21 APRIL, THE COMMITTEE OF STATE FOR COOPERATION WITH THE COUNTRIES OF AMERICA, PRESIDED BY HIS EXCELLENCY MOUSSA DIAKITE, MINISTER OF THE DOMAIN OF INTERIOR AND JUSTICE, RECEIVED DELEGATION FROM HALCO MINING AND FROM CBG TO DISCUSS MODALITIES OF APPLICATION OF LAW NO. 010ALUT OF 13 JANUARY 1975.

PRESENT WERE: FOR GUINEA -- MOUSSA DIAKITE, Fily Cissoko, MAMADOUBA BANGOURA, ALIOUNE DRAME, KEKOURA CAMARA, MOHAMED LAMINE TOURE, FODE MAMOUDOU TOURE, N'FALY SANGARE, SAIKOU BARRY, SEKOU CAMARA, MOUTAGA KEITA, ALPHA KABINE KEITA; FOR HALCO MINING
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PAGE 02 CONAKR 00549 221427Z

--FREDERICK BARKER, HARRY FAWCETT, MICHAEL JAOL; FOR CBG--

DAMOU SAKO.

BETWEEN ABOVE PARTIES, THE FOLLOWING HAS BEEN AGREED:

1. CBG SHALL PAY OR SHALL COLLECT FROM THIRD PARTIES AND DELIVERY TO GUINEA, THE FULL AMOUNT OF SPECIAL TAX CONFORMING TO TERMS AND CONDITIONS OF LAW NO. 010/AL/75 CREATING A SPECIAL TAX ON MINING PRODUCTS AND DERIVATIVES, COPY OF WHICH IS ATTACHED.

2. THE PARTIES SHALL CONSIDER SPECIAL TAX ON BAUXITE AS AN ELEMENT OF THE COST OF PRODUCTION.

3. THE ACCORD CONCERNING THE ADVANCES ON TAXES DATED JULY 15, 1974, BETWEEN REPUBLIC OF GUINEA, CBG AND HALCO IS MODIFIED AS FOLLOWS:

A. THE AMOUNT DUE TO BE PAID BY CBG IN CONFORMITY WITH SECTION 2(B)(III), VALUED AT \$5 MILLION WILL NOT BE PAID, SINCE GUINEA GIVES THIS UP AND SECTION 2(B)(III) IS NULLIFIED.

B. THE AMOUNT ALREADY PAID IN CONFORMITY WITH SECTION 2(B)(III), THAT IS \$5 MILLION, WILL BE DEDUCTED FROM THE FIRST PAYMENT UNDER PROVISIONS OF THE SPECIAL TAX; THIS FIRST PAYMENT BEING REDUCED BY SAME AMOUNT.

C. THE AMOUNT ALREADY PAID IN CONFORMITY WITH SECTION 2(B)(I), THAT IS \$10 MILLION, WILL BE REIMBURSED OVER 5 YEARS, THAT IS \$2 MILLION EACH YEAR BEGINNING WITH MONTH OF OCTOBER 1975, THIS SUM WILL COME, UPON PAYMENT OF THE SUM OF THE SPECIAL TAX CORRESPONDING TO EXPORTS EFFECTED IN MONTH OF OCTOBER 1975, TO REDUCE EACH MONTHLY PAYMENT BY SUM OF \$167,000.

NEVERTHELESS EACH PAYMENT CORRESPONDING TO EXPORTS EFFECTED DURING EACH SEPTEMBER WILL BE \$163,000 AND SO FORTH UNTIL COMPLETE REIMBURSEMENT OF THE \$10 MILLION.

4. REGARDING PERCENTAGE OF HUMIDITY, THE PARTIES ADMIT TOLERANCE OF 3 PERCENT IN EVALUATION OF THE WEIGHT OF EXPORT, AS IS SET FORTH IN THE SALES CONTRACTS.

PERCENTAGES ABOVE 3 PERCENT WILL BE DEDUCTED FROM THE WEIGHT OF EXPORTS, FOR PURPOSES OF CALCULATING THE SPECIAL TAX.

5. FOR EACH DELIVERY TO A BUYER IN THE COURSE OF A MONTH, CBG WILL PAY IN CONVERTIBLE AND TRANSFERRABLE CURRENCY TO THE CENTRAL BANK OF REPUBLIC OF GUINEA FOR THE ACCOUNT OF THE GUINEAN TREASURY, THE AMOUNT OF TAX CORRESPONDING TO THIS DELIVERY. THIS LIMITED OFFICIAL USE

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PAGE 03 CONAKR 00549 221427Z

PAYMENT WILL BE MADE IN NATIONAL CURRENCY OF EACH BUYER WITH THE EXCEPTION OF THE CASE OF ALCAN, WHICH WILL PAY IN CANADIAN DOLLARS. THE TECHNICAL MODALITIES OF CALCULATING THE AMOUNTS IN HARD CURRENCIES WILL BE THE OBJECT OF AN EXCHANGE OF LETTERS BETWEEN THE CENTRAL BANK OF REPUBLIC OF GUINEA AND CBG. IN WITNESS WHEREOF, THE PARTIES PRESENT HAVE SIGNED THIS ACCORD BY THE INTERMEDIARY OF THEIR REPRESENTATIVES AUTHORIZED AND ACCREDITED TO DO SO. CONAKRY, 21 APRIL 1975. END QUOTE.

3. EMBASSY COMMENTS FOLLOW. DECONTROL 30 APRIL 1975.
MACDONALD

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